



# OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

## Stamp Stock Ordering and Fulfillment

## Audit Report

Report Number  
MS-AR-14-001-DR

November 8, 2013

467600

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# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

## Highlights

***Significant improvements to the Postal Service's internal stamp ordering and fulfillment processes are needed to effectively and efficiently manage stamp stock.***

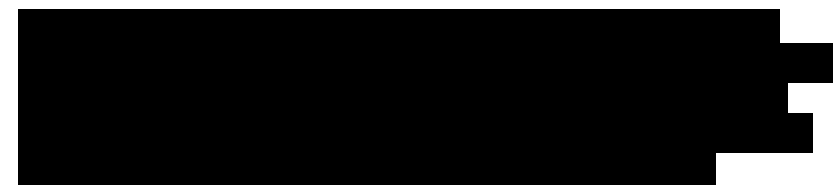
## Background

The U.S. Postal Service uses two operational components to process postage stamp orders: (1) stamp distribution centers process about 4,500 internal requests received each day from retail units via the Solution for Enterprise Asset Management system; and (2) Stamp Fulfillment Services processes over 10,000 orders a day from collectors, businesses, and residential customers requesting stamps, philatelic memorabilia, and retail products. These products are shipped directly to the customer's doorstep.

Our objective was to determine whether there were opportunities for improving the internal stamp ordering and fulfillment processes.

## What The OIG Found

Significant improvements to the Postal Service's internal stamp ordering and fulfillment processes are needed to effectively and efficiently manage stamp stock. Specifically, stamp stock shortages and delays occurred as a result of implementing the Solution for Enterprise Asset Management system. The system was not adequately tested prior to deployment to account for the large number of users and requests to be processed. In addition, problems were exacerbated because deployment occurred during the 2012 holiday season, prior to a rate change, and during a time when over 4,000 retiring postmasters were replaced. Further, management did not effectively communicate with personnel responsible for ordering and fulfilling stamp stock. As a result, the Postal Service's ability to accurately assess existing stamp stock inventory and increase stock visibility is limited. We identified \$120 million as revenue at risk related to stamp stock transactions not being recorded timely.



## What The OIG Recommended

We recommended management improve scanning compatibility and conduct proper testing, develop a policy ensuring timely posting of transaction data, send status alerts to requesters, and effectively communicate process changes with stamp distribution center and retail unit personnel.

## **Stamp Stock Ordering and Distribution Problems**

**Lack of Communication**

**Low Initial Distribution**

**Longer Order Receipt Times**

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

November 8, 2013

**MEMORANDUM FOR:** NAGISA M. MANABE  
CHIEF MARKETING AND SALES OFFICER,  
EXECUTIVE VICE PRESIDENT

SUSAN M. BROWNELL  
VICE PRESIDENT, SUPPLY MANAGEMENT

E-Signed by Inspector General  
VERIFY authenticity with eSign Desktop

**FROM:** Darrell E. Benjamin, Jr.  
Deputy Assistant Inspector  
General for Revenue and Performance

**SUBJECT:** Audit Report – Stamp Stock Ordering and Fulfillment  
(Report Number MS-AR-14-001)

This report presents the results of our audit of Stamp Stock Ordering and Fulfillment processes (Project Number 13WG011MS000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Janet Sorensen, director, Sales and Marketing, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

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# Findings

***Stamp stock shortages and delays occurred because of implementing the SEAM system. The system was not adequately tested prior to deployment to account for the large number of users accessing the system and the large number of requests.***

## Introduction

This report presents the results of our audit of the U.S. Postal Service's Stamp Stock Ordering and Fulfillment processes (Project Number 13WG011MS000). Our objective was to determine whether there were opportunities for improving the Postal Service's internal<sup>1</sup> stamp ordering and fulfillment processes. This audit was self-initiated based on concerns that postal retail units (PRUs) were either running low on or out of stamps to sell to the public. See [Appendix A](#) for additional information about this audit.

The Postal Service uses two operational components to process postage stamp orders: (1) stamp distribution centers (SDCs), under Supply Management, process requests received from PRUs and contract postal units; and (2) Stamp Fulfillment Services, under Marketing and Sales, processes stamp orders received directly from external customers, including large mailers. Our audit focused on SDC operations.

SDCs: The Asset Management Integration (AMI) team, which is responsible for improving asset management, implemented the Solution for Enterprise Asset Management (SEAM) system<sup>2</sup> in August 2012. SEAM replaced the Stamp Services System as the system SDCs use to automatically track and replenish stamp stock levels for internal customers. PRU staff place stamp orders in the eBuy2 Ordering System<sup>3</sup> or by telephone for staff members who do not have access to eBuy2. Approved eBuy2 orders are batched and routed to SEAM for processing by the SDC assigned to the PRU. There are currently six SDCs that provide stamps to about 31,000 PRUs throughout the country.

Stamp Fulfillment Services: Stamp Fulfillment Services provides stamps, philatelic memorabilia, and retail products to collectors, businesses, and residential customers. Stamp Fulfillment Services is located in Kansas City, MO, and serves as a centralized retail outlet for consumers to order and receive products directly at their doorstep. Customers place orders via mail, fax, telephone, and the Internet and must pay for orders before they are processed and shipped. Stamp Fulfillment Services ships most orders to customers on the same day if it receives the request before 10 a.m. central standard time.

## Conclusion

Significant improvements are needed to the Postal Service's internal stamp ordering and fulfillment processes to effectively and efficiently manage stamp stock. Specifically, stamp stock shortages and delays occurred because of implementing the SEAM system. The system was not adequately tested prior to deployment to account for the large number of users accessing SEAM and the large number of requests to be processed. Problems were exacerbated because the system was deployed during the 2012 holiday season, prior to a rate change, and when over 4,000 retiring postmasters were replaced with new employees. Further, management did not effectively communicate with SDC and PRU personnel responsible for ordering and fulfilling stamp stock. As a result, the Postal Service's ability to accurately assess existing stamp stock inventory, increase stamp visibility and availability, and ensure the accuracy of tracking stamp shipments is limited at approximately 31,000 PRUs. We identified \$120 million as revenue at risk for stamp stock shipments received from suppliers but not recorded timely in inventory records.

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<sup>1</sup> Internal stamp ordering and fulfillment processes apply to SDCs, PRUs, and contract postal units.

<sup>2</sup> This Oracle web-based application was designed to improve inventory tracking and visibility, implement forecasting and automatic replenishment capabilities, and standardize asset tracking and maintenance/repair functions for stamps and vehicles. Our focus was on the stamp feature of the system. Supply Chain Planning provides the capabilities and processes required to forecast the demand for products and initiate the respective supply actions to meet the forecasted demand.

<sup>3</sup> The official Postal Service enterprise tool for ordering goods and services.





More than 24 percent of PRUs did not have the Where Dreams Blossom stamps available.

## Stamp Stock Shortages and Delays

PRUs experienced substantial delays in receiving stamp orders due to stamp shortages at the SDCs. Specifically, PRUs experienced delays of more than 14 days for receipt of stamp orders between November 2012 and March 2013. This resulted in shortages of specific commemorative and various other stamps available for sale at PRUs. Under the previous Stamp Services System, PRUs received stamp shipments 3 to 5 days after placing the order.

We also identified six separate occasions where SDC stock was depleted and resulted in backorders and delayed fulfillment from March to June 2013. In addition, we noted shortages with popular commemorative stamps and special issue stamps, including Where Dreams Blossom stamps, where 24 percent of the large PRUs<sup>4</sup> did not have these stamps available for sale by the 8th week after the first day of issue.<sup>5</sup> This trend continued through the 12th week following the first day of issue with more than 50 percent of PRUs not having these stamps available for sale.<sup>6</sup> Consequently, the Postal Service continues to experience issues with shortages and delays in order fulfillment. See [Appendix C](#) for additional examples of commemorative stamp shortages at PRUs.

The shortages and delays occurred because significant technical issues impacted SEAM. These issues included problems with the connectivity testing environment, the recording of financial transactions, the interface between eBuy2 and SEAM, and electronic order status alerts given to PRUs. In addition, operational issues, such as ineffective communication with SDC and PRU personnel, contributed to the condition. These shortages and delays were further exacerbated by the timing of the system's deployment, which occurred during the 2012 holiday season, prior to a rate change, and at a time when over 4,000 retiring postmasters were replaced with new employees. As a result, the Postal Service could not effectively manage all of its stamp stock inventories, which affected sales activity at various locations.

## Technical Issues

- Managers at all six SDCs stated that personnel experienced daily connectivity issues with the hand-held scanners used to record the physical location of stamp stock at the SDC. Specifically, personnel stated that connecting to SEAM with the scanners was either extremely slow or only possible intermittently on a daily basis, and resulted in delays in accepting and processing stamp orders. We observed employees at three SDCs who experienced connectivity delays of up to 15 minutes when using the scanners to select stamp stock from storage areas. In addition, we observed daily instances of scanners used to verify stock to be packaged and shipped either slow down or stop working at the three SDCs. This caused up to 40 minutes of downtime for about 80 employees across the six SDCs. The AMI project leader stated these scanning disruptions will continue to occur because SEAM is using an outdated information technology (IT) platform. IT management stated that since it did not anticipate the large number of users accessing SEAM and the number of requests to be processed, the testing environment may not have been sufficient.
- Transaction data for 49 stamp stock shipments from suppliers totaling \$120 million were not transmitted from SEAM to the Standard Accounting for Retail<sup>7</sup> system for up to 3 months after receipt. Although SDC personnel attempted to acknowledge receipt of the shipments in SEAM the day they were delivered, issues with the system's functionality existed. The Postal Service does not have a policy governing the number of days SDC personnel are required to record shipments in SEAM and transmit detailed data to the Standard Accounting for Retail system. The \$120 million of stamp stock represents revenue at risk as they were not recorded in the Standard Accounting for Retail system timely. See [Appendix B](#).
- Automated controls between eBuy2 and SEAM did not exist to ensure complete and accurate data was transferred between the two systems. Specifically, the AMI team was not aware that 207 approved eBuy2 stamp orders did not transmit to SEAM for up to 6 days after the initial request. As a result of our audit, the AMI team implemented a system control on July 27, 2013, which validates the number of transactions sent from eBuy2 to SEAM.

<sup>4</sup> We defined large PRUs as facilities that sold 5,000 or more of the commemorative stamps discussed in this report.

<sup>5</sup> Stamp sales recorded in the Retail Data Mart from the first day of issue, April 11, 2013.

<sup>6</sup> Collectors primarily purchase commemorative and special issue stamps within the first 13 weeks of issuance.

<sup>7</sup> The Standard Accounting for Retail system merges financial and retail systems by serving as the national collection and reporting system that provides an integrated view of Postal Service operations.

- The SEAM electronic notification, which alerts the requester of an order status change, was not functioning properly. For example, PRU personnel ordered stamps through the eBuy2 system, which indicated the stamps were available. However, between the time the request was placed and the order was transmitted to SEAM for fulfillment, some stamps became unavailable and the requesters were not notified of this change. We identified more than 50,000 orders that were cancelled by SDC personnel between November 2012 and April 2013 because stamps were no longer in stock. The requesters were not notified of these cancellations — which led to PRU requesters often placing emergency or duplicate orders — or simply did not receive their stamp stock orders. Although the SEAM system has this notification capability, the AMI team managing the system was unaware the electronic messaging was not working properly.

## Operational Issues

- AMI management did not effectively communicate with PRU personnel regarding significant stamp ordering process changes. A new process required a stamp stock order to be approved using the eBuy2 system during the assigned ordering timeframe prior to being transmitted to SEAM.<sup>8</sup> Although staff members knew that an approval was required, some PRU staff did not understand that orders approved after the deadline would not be filled until the next month's ordering cycle. Consequently, there were often delays in filling and shipping stamp stock orders to PRU requesters. AMI management used various channels<sup>9</sup> to communicate process changes; however, we found the information was not communicated directly to PRU personnel responsible for managing stamp stock.
- Many PRU employees were not aware that the expected turnaround time for receipt of stamp orders increased from 3 to 14 days due to implementing SEAM. PRU employees placed and received duplicate stamp orders, which caused some PRUs to exceed their accountability stock levels. We also identified a 137 percent increase (from 57.5 million to 136.3 million) in the number of items requisitioned by emergency stamp orders during Quarter (Q) 2 of fiscal year (FY) 2013 compared to Q2, FY 2011 when the former process was in place. Although AMI management recently reduced the turnaround time to about 7 days, it did not communicate the change to PRU personnel and the lead time is still longer than it was under the former Stamp Services System.
- SDC managers were not always aware of decisions AMI planners<sup>10</sup> made to replenish stamp stock, such as listing items as unavailable in the SEAM stamp catalog or requesting a stamp reprint. As a result, SDC managers had to alert AMI planners when their stamp stock levels were significantly low and therefore, could lead to backorders, additional processing time, and inefficiencies as opposed to the planners notifying the managers.

## Future Considerations



<sup>8</sup> On July 27, 2013, management changed the policy that required eBuy2 approval for stamp orders. Ordering stamps through the eBuy2/SEAM catalog no longer requires high-level approvals. All stamp orders will automatically be approved when an order is created.

<sup>9</sup> Changes were communicated to area operation vice presidents, published in bulletins/retail digests, and posted in standard operating procedures on the SEAM web site.

<sup>10</sup> AMI planners are responsible for monitoring inventory levels and transferring stock between SDCs.



# Recommendations

***We recommended management improve scanning compatibility and conduct proper testing, develop a policy ensuring timely posting of transaction data, send status alerts to requesters, and effectively communicate process changes.***

We recommend the chief Marketing and Sales officer, executive vice president, in coordination with the vice president, Supply Management:

1. Improve scanning processes to ensure they are compatible with current Postal Service information technology platforms and conduct proper testing of any new functionality prior to deployment into the Solution for Enterprise Asset Management system.
2. Develop a policy to ensure that transaction data related to incoming shipments is fully captured in the Solution for Enterprise Asset Management system and transmitted to the Standard Accounting for Retail system timely.
3. Send special, electronic alert notices directly to the requester when stamp orders are cancelled or placed in a backorder status, including instructions on actions needed to proceed with the stamp orders.
4. Document and communicate major process changes directly to stamp distribution center and postal retail unit personnel by providing message alerts when orders are placed in eBuy2. These messages should advise personnel of new requirements, changes related to the stamp ordering and fulfillment process, and expected receipt times for stamp shipments.

## Management's Comments

Management agrees with the finding, recommendations, and other impact in the report. Regarding recommendation 1, management stated it has implemented general system improvements resulting in improved scanning and response times. Management stated that appropriate testing needs to occur and it has informed both Supply Management and IT staff about the importance of proper testing for all system changes.

Regarding recommendation 2, management developed a policy that will be published in Handbook F-101, Field Accounting Procedures, by December 31, 2013. This policy will require transaction data for incoming shipments to be fully captured in SEAM and transmitted to the Standard Accounting for Retail system timely.

Regarding recommendation 3, management stated electronic messaging is currently available within eBuy2 to notify the requestor when one or more items on the requisition are rejected or stamps orders are cancelled. The requestor must log into eBuy to obtain this information.

Regarding recommendation 4, management stated it has implemented a broadcast message alert that splashes on the eBuy2 screen to communicate relevant stamp ordering and fulfillment information.

Management also addressed future considerations, [REDACTED]

See [Appendix D](#) for management's comments, in their entirety.

## Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report.

The OIG considers recommendations 2 through 4 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

# Appendices

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# Appendix A: Additional Information

## Background

The Postal Service uses two operational components to process postage stamp orders. SDCs process requests received from PRUs and contract postal units. Stamp Fulfillment Services processes stamp orders received directly from external customers, including large mailers.

**SDC Process:** In FY 2012, SDCs processed stamp orders for about 32,000 PRUs that contributed to \$65 billion in postage sales. Postal Service management developed the Supply Chain Integration initiative under the Delivering Results, Innovation, Value, and Efficiency portfolio to simplify stamp ordering and fulfillment processes. One of the initiative's objectives was to enhance asset management technology and processes through creation of the automated SEAM system. The purpose of SEAM was to increase inventory visibility, improve asset tracking and maintenance, implement demand forecasting, and centralize ordering and fulfillment planning to reduce manual orders and stock outages.

From August to November 2012, the Postal Service implemented the SEAM stamp ordering and fulfillment process. Under SEAM, PRU personnel place orders for postage stamps in the eBuy2 Purchasing System or via telephone. The approved eBuy2 orders are batched and routed to SEAM for processing and filling at the applicable SDCs assigned to service PRUs. SDCs either fill stamp orders and ship stamps to PRUs, or place the orders in a backorder status when stamp inventory is unavailable.

**Stamp Fulfillment Services Process:** Stamp Fulfillment Services generated net revenue of over \$526 million and shipped about 2.9 million orders in FY 2012. The Stamp Fulfillment Services Center is responsible for fulfilling and shipping national orders for stamps, stationery items, philatelic products, and other retail merchandise to customers in an automated environment. Stamp Fulfillment Services receives and fulfills orders from individual purchasers, large volume customers, international agents, and subscription customers; and provides requests for cancellation services for philatelists and philatelic dealers. Customer orders are received by mail order, telephone, and through the Internet.

## Objective, Scope, and Methodology

Our objective was to determine whether there were opportunities for improvement in the internal stamp ordering and fulfillment processes.

To accomplish our objective, we:

- Met with the Stamp Inventory Lean Six Sigma team to obtain details of the Postal Service's initiative to resolve stamp ordering and fulfillment complaints and reduce excess inventory issues.
- Interviewed headquarters, AMI, SDC, Stamp Fulfillment Services, PRU, and IT personnel to obtain feedback on the stamp ordering process.
- Conducted on-site observations of day-to-day operations at the Kansas City, MO; Binghamton, NY; and Atlanta, GA SDCs; and at Stamp Fulfillment Services in Kansas City, MO. We also conducted teleconferences with personnel at the Dulles, VA; Phoenix, AZ; and Portland, OR SDCs regarding their operations.
- Evaluated efficiencies gained or lost due to conversion from the Stamp Services System to the SEAM system and the new stamp ordering process.
- Reviewed and analyzed Data Analysis Reports to determine the status of approved goals and milestones for inventory visibility, functionality deployment, system and operational risks, financial obligations, and management responsibility.
- Obtained and analyzed eBuy2 and SEAM data that were used to develop various graphs and charts.
- Examined timeliness of recording incoming stamp stock shipments and payments to suppliers.



We conducted this performance audit from March through November 2013 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on September 10, 2013, and included their comments where appropriate.

We also obtained and analyzed data in various Postal Service applications, databases, and systems to indicate ordering, shipment, and sales information related to the process. We assessed the reliability of stamp shipment and sales data by matching and comparing quantities shipped and sold. We validated the data contained in these systems and used them to develop the issues identified in this report. We determined the data were sufficiently reliable for the purposes of this review.

## Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Stamp Manufacturing and Inventory Management</i>	MS-AR-12-006	7/23/2012	\$8.1
Report Results: We found that the Postal Service overproduced stamps by 2 billion, resulting in unnecessary annual manufacturing costs for stamps that were later destroyed. We recommended the Postal Service improve controls over stamp manufacturing. Management agreed with the findings, recommendations, and monetary impact.			
<i>Stamp Distribution Procedures</i>	FF-AR-11-012	7/29/2011	\$5.9
Report Results: The Postal Service did not sufficiently mitigate the increased level of risk incurred when it discontinued the use of Registered Mail™ service for stamp stock shipments and consolidated the stamp distribution offices into six SDCs. We recommended the Postal Service: develop a nationwide strategy to manage lost stamp stock shipments, identify trends and problem areas, and perform risk assessments while monitoring stamp stock shipments; and instruct units to notify the OIG when stamp stock shipments are lost or missing. Management agreed to develop a strategy to identify units that reported multiple claims for loss within a defined timeline and follow up with performing a risk assessment. This is scheduled for completion prior to Q4, FY 2012. Further, management only partially agreed with the recommendation for PRUs to report lost or stolen shipments to the OIG because they believe the current policy to have these missing shipments reported to the Postal Inspection Service is sufficient and that further discussions should occur between the Postal Inspection Service and the OIG. However, they did issue an update to Handbook F-101, in February 2012, instructing PRUs to notify the OIG when reporting lost or missing stamp stock.			

## Appendix B: Other Impact

Recommendation	Impact Category	Amount
2	Revenue at Risk <sup>1</sup>	\$119,890,320
<sup>1</sup> Revenue the Postal Service is at risk of losing because stamps are not properly managed or protected.		

This amount represents shipments received at SDCs from August 13, 2012, to June 10, 2013, but not recorded in the Standard Accounting for Retail system timely. We identified 49 shipments totaling \$119,890,320 that were not fully recorded in the Standard Accounting for Retail system within 15 days<sup>11</sup> of the shipments' receipt.

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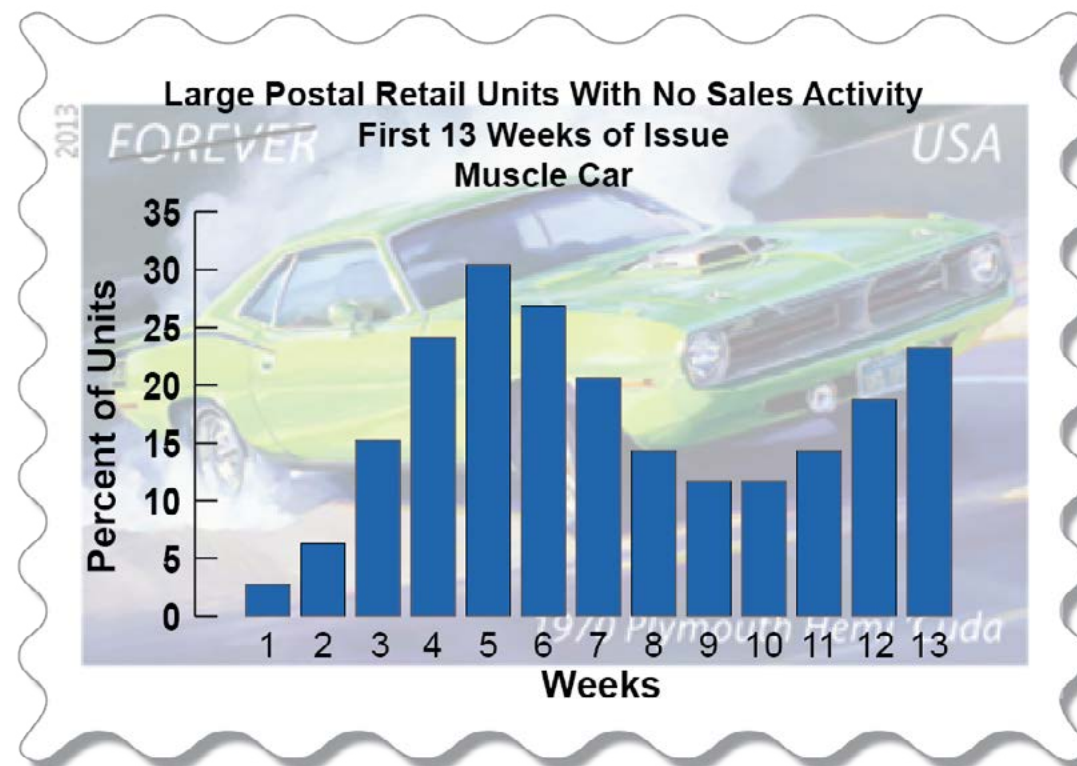
<sup>11</sup> We applied the same policy which requires PRUs to record shipment transactions within 15 days of receipt to SDCs as well (Handbook F-101, Section 11-5.8, updated with Postal Bulletin articles through April 2013).

## Appendix C: Stamp Sales Activity

Postal Service studies<sup>12</sup> have shown collectors primarily purchase commemorative and special issue stamps during the first 13 weeks after the first day of issue--resulting in over \$40 million in revenue. Figures 1 and 2 illustrate PRUs that did not have stamp sales during the first 13 weeks of the first day of issue for select commemorative and special issue stamps during calendar year 2013. Figures 1 and 2 also show the lost revenue opportunities for the Postal Service during the peak collectors' purchasing period. Stamp stock outages experienced at the SDCs and PRUs significantly delayed the availability of the stamps and corresponding sales at PRUs.

For example, 34 percent of the large PRUs did not have sales of the "Muscle Car" commemorative stamp during the 5th week after the first day of issue (see Figure 1). PRUs did not have adequate supplies because sufficient stock amounts were not initially distributed to the SDCs and too much lead time was needed to order additional supplies in a timely manner for PRUs.

**Figure 1. Muscle Car Sales at Large PRUs**



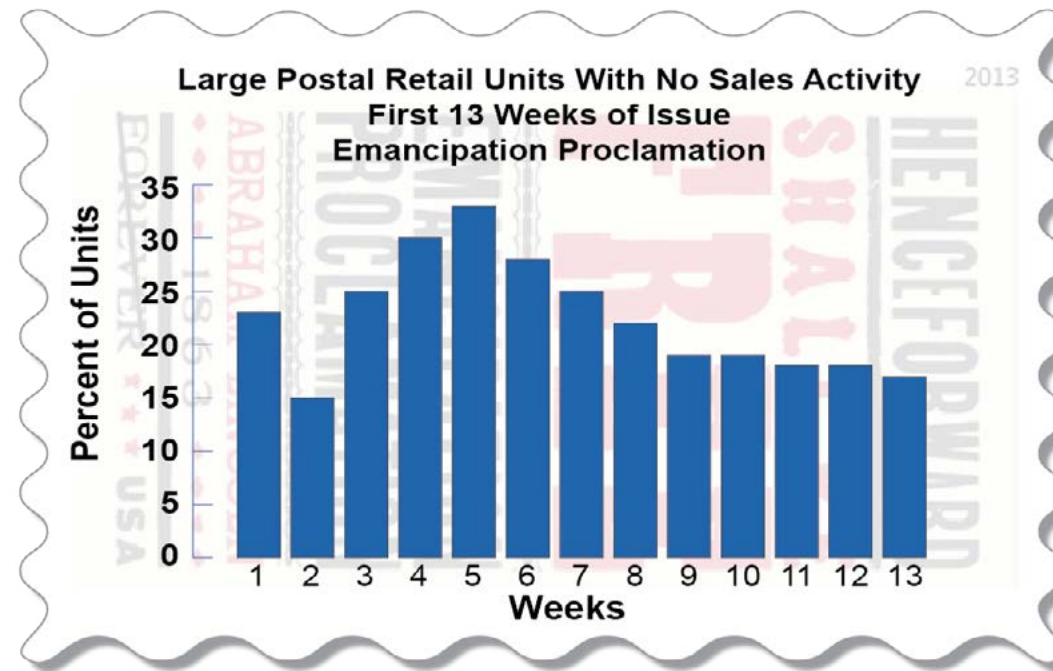
Source: Stamps sales recorded in the Retail Data Mart from the first day of issue – February 22, 2013.

<sup>12</sup> Synovate, a marketing research firm, conducts customer stamp retention studies for the Postal Service.



Figure 2 shows that by the 4th week of first day of issue, 30 percent of the large PRUs were not selling the “Emancipation Proclamation” stamp. The graph also shows that many PRUs ran out of stock quickly and ordering and fulfillment from the SDC to the PRU did not occur timely.

**Figure 2. Emancipation Proclamation Stamp Sales at Large PRUs**



Source: Stamps sales recorded in the Retail Data Mart from the first day of issue – January 1, 2013.

# Appendix D: Management's Comments



November 5, 2013

JUDITH LEONHARDT

SUBJECT: Response to Draft Audit Report – Stamp Stock Ordering and Fulfillment  
(Report Number MS-AR-14-DRAFT)

Thank you for providing the Postal Service with the opportunity to review and comment on this subject draft report. Management generally agrees with the recommendations and the other impact. Our response is provided in full below.

OIG Audit Recommendations:

We recommend the chief Marketing and Sales officer, executive vice president, in coordination with the vice president, Supply Management:

1. Improve scanning processes to ensure they are compatible with current Postal Service information technology platforms and conduct proper testing of any new functionality prior to deployment into the Solution for Enterprise Asset Management (SEAM) system.

Management Response: Information Technology confirms that the current implemented scanner functionality is compatible with Postal Service information technology platforms. This system is a Sarbanes Oxley (SOX) in-scope system and testing for both System Integration and Customer Acceptance are mandatory and have been and will continue to be conducted on all changes. Working with Information Technology, general systems improvements to SEAM have been made resulting in improved scanner response times. For example, Information Technology has identified and remediated resource conflicts within SEAM thereby improving system performance. Since testing is crucial we agree that appropriate testing needs to always occur and both Supply Management and Information Technology staff have been informed of the importance of proper testing of all changes to systems.

Target Implementation Date: Completed.

Responsible Manager: Manager, Asset Management.

2. Develop a policy to ensure that transaction data related to incoming shipments is fully captured in the SEAM system and transmitted to the Standard Accounting for Retail (SAFR) system timely.

Management Response: Management agrees with the recommendation. Headquarters Revenue and Field Accounting and Asset Management have developed a policy that will be published in the F-101, Field Accounting Procedures Handbook. The update is currently scheduled for publication December 2013.

475 L'ENFANT PLAZA SW  
WASHINGTON DC 20260

Target Implementation Date: December 2013.

Responsible Manager: Manager, Revenue and Field Accounting, Finance; and, Manager, Asset Management, Supply Management.

3. Send special, electronic alert notices directly to the requester when stamp orders are cancelled or placed in a backorder status, including instructions on actions needed to proceed with the stamp orders.

Management Response: Management agrees with the recommendation. Messaging is currently available within eBuy2 that notifies the requestor when one or more items on the requisition are rejected or stamp orders are cancelled. The requestor is required to log-in to eBuy2 to view the purchase order to determine the status of their orders. An example of this notification will be provided under separate cover for closeout consideration.

Target Implementation Date: Completed.

Responsible Manager: Manager, Asset Management.

4. Document and communicate major process changes directly to stamp distribution center (SDC) and postal retail unit (PRU) personnel by providing message alerts when orders are placed in eBuy2. These messages should advise personnel of new requirements, changes related to the stamp ordering and fulfillment process, and expected receipt times for stamp shipments.

Management Response: Management agrees and on September 13, 2013 implemented broadcast message alerts to communicate relevant stamp ordering and fulfillment information on the eBuy2 splash screen. Documentation of this messaging will be provided under separate cover for closeout consideration.

Target Implementation Date: Completed.

Responsible Manager: Manager, Asset Management.

#### Future Considerations

[REDACTED] Utilizing SFSs automation processes, the PRUs should anticipate a decrease in the number of days from order to receipt, dependent upon the mail stream operations.

[REDACTED] the existing process of PRU ordering of stamps and stamp products through ebuyz and managing PRU orders for these products within SEAM will be retired. Inventory and orders will be managed within the existing National Customer Management System (NCMS) that has supported SFSs operations and Postal Service reporting for nearly ten (10) years. PRU ordering will be managed through a web front-end application that will be available to all offices with internet connectivity. As the systems and integrations are developed and enhanced, the organization will ensure the recommendations and concerns of this report are addressed:

1. Scanning technologies for inventory management, utilized with NCMS & Automated Fulfillment Equipment System (AFES), will be thoroughly tested to ensure adequate capabilities for a larger user base.



2. Electronic transmission of transaction data to the SAFR system is being expanded to include the stock transfers to PRUs. Current NCMS processes include daily reporting of SFSS transaction data to SAFR.
3. Requirements for the new PRU interface with NCMS have included messaging to the PRUs either via e-mail or system interface as required by the message intent.
4. The web front-end application for PRU ordering is designed to be a "one-stop shop" for PRUs regarding stamps and stamp products. This will include an ordering catalog, inventory information, order tracking capabilities, stamp specifics, etc., as well as links to other Postal Service systems that the PRUs rely upon for stamp product information. PRU feedback was taken into account in the development of the system requirements.

Pilot implementation of the new processes utilizing NCMS/AFES and the web front-end application are anticipated beginning in late Fiscal Year 2014, with full implementation within the first quarter of Fiscal Year 2015.

This report and management's response does contain proprietary or sensitive business information that may be exempt from disclosure pursuant to the Freedom of Information Act. These will be addressed in a separate communication. If you have any questions about this response, please contact Susan Witt at (202) 268-4833.



Nagisa M. Manabe  
Chief Marketing and Sales Officer  
Executive Vice President



Susan M. Brownell  
Vice President, Supply Management

cc: Corporate Audit and Response Management



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